

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>		Printed Name		License Number

# **LAKE TOWNSHIP**

Huron County, Michigan

## **FINANCIAL STATEMENTS**

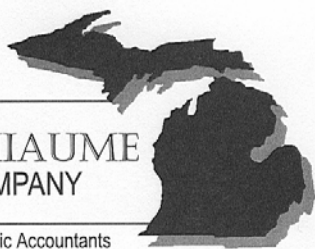
March 31, 2006

## TABLE OF CONTENTS

	PAGE
<b>Independent Auditors' Report</b> .....	1
<b>Basic Financial Statements:</b>	
Government-wide Financial Statements:	
Statement of Net Assets.....	3
Statement of Activities .....	4
Fund Financial Statements:	
<i>Governmental Funds:</i>	
Balance Sheet.....	5
Reconciliation of Fund Balances of Governmental Funds to Net Assets of	
Governmental Activities .....	6
Statement of Revenues, Expenditures and Changes in Fund Balances.....	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in	
Fund Balances of Governmental Funds to the Statement of Activities.....	8
<i>Fiduciary Fund:</i>	
Statement of Net Assets .....	9
Notes to Financial Statements.....	11
<b>Required Supplemental Information:</b>	
Budgetary Comparison Schedule – General Fund .....	24
Budgetary Comparison Schedule – Special Revenue Fund – Road Fund .....	25
Budgetary Comparison Schedule – Special Revenue Fund – Caseville Area Fire Protection	
Association Fund.....	26
<b>Other Supplemental Information:</b>	
<i>General Fund:</i>	
Detailed Schedule of Revenues.....	28
Detailed Schedule of Expenditures.....	29
<i>Nonmajor Governmental Funds:</i>	
Combining Balance Sheet.....	33
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	34
<i>Fiduciary Fund:</i>	
Combining Statement of Changes in Assets and Liabilities .....	35
Schedules of Indebtedness .....	36

BERTHIAUME  
& COMPANY

Certified Public Accountants



60 Harrow Lane  
Saginaw, Michigan 48638

(989) 791-1555  
Fax (989) 791-1992

## INDEPENDENT AUDITORS' REPORT

To the Township Board  
Lake Township, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lake Township as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Lake Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lake Township as of March 31, 2006, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedules as identified in the table of contents are not a required part of the basic financial statements but are supplemental information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lake Township's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

*Berthiaume & Co.*

June 14, 2006

## ***BASIC FINANCIAL STATEMENTS***

# LAKE TOWNSHIP

---

## STATEMENT OF NET ASSETS

March 31, 2006

	<i><u>Governmental Activities</u></i>
<b>Assets:</b>	
Cash and cash equivalents	\$ 554,700
Receivables	94,257
Capital assets:	
Depreciable capital assets, net	<u>12,100</u>
 Total assets	 <u>661,057</u>
 <b>Liabilities:</b>	
Accounts payable and accrued expenses	8,499
Long-term liabilities:	
Due within one year	53,738
Due in more than one year	<u>55,000</u>
 Total liabilities	 <u>117,237</u>
 <b>Net assets:</b>	
Invested in capital assets	12,100
Restricted for:	
Debt service	12,371
Capital projects	6,144
Unrestricted	<u>513,205</u>
 Total net assets	 <u>\$ 543,820</u>

*The accompanying notes are an integral part of these financial statements.*

# LAKE TOWNSHIP

## STATEMENT OF ACTIVITIES

Year Ended March 31, 2006

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
<b>Functions/Programs</b>				
<b><i>Governmental Activities:</i></b>				
General government	\$ 93,679	\$ 410	\$ 4,890	\$ (88,379)
Public safety	95,365	15,065	-	(80,300)
Public works	142,365	8,442	4,956	(128,967)
Health and welfare	3,486	-	-	(3,486)
Community and economic development	21,971	2,180	1,798	(17,993)
Recreation and culture	1,200	1,625	-	425
Interest on long-term debt	<u>4,517</u>	<u>-</u>	<u>-</u>	<u>(4,517)</u>
Total governmental activities	<u>362,583</u>	<u>27,722</u>	<u>11,644</u>	<u>(323,217)</u>

### *General revenues:*

#### *Taxes:*

Property taxes, levied for general purpose	102,765
Property taxes, levied for roads/gypsy moth	116,310
Property taxes, levied for fire	62,538
Payment in lieu of property taxes	1,010
Franchise taxes	6,409
Grants and contributions not restricted to specific programs	68,077
Unrestricted investment earnings	3,325
Miscellaneous	<u>1,121</u>

Total general revenues 361,555

Change in net assets 38,338

Net assets, beginning of year 505,482

Net assets, end of year \$ 543,820

*The accompanying notes are an integral part of these financial statements.*

# LAKE TOWNSHIP

## GOVERNMENTAL FUNDS

### BALANCE SHEET

March 31, 2006

		<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>
	<u>General Fund</u>	<u>Road Fund</u>	<u>Caseville Area Fire Protection Association Fund</u>	<u>Fosters White Sand Shores Subdivision Road Improvements Fund</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 288,751	\$ 191,036	\$ -	\$ 10,830
Taxes receivable	7,727	9,111	5,168	-
Accounts receivable	1,809	-	-	-
Special assessments receivable	-	-	-	43,130
Due from other governmental units	11,797	-	-	-
	<u>11,797</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total assets	<u>\$ 310,084</u>	<u>\$ 200,147</u>	<u>\$ 5,168</u>	<u>\$ 53,960</u>
 <b>Liabilities and Fund Balances:</b>				
<i>Liabilities:</i>				
Accounts payable and accrued expenses	\$ 1,779	\$ 155	\$ -	\$ -
Due to other governmental units	-	-	5,168	-
Deferred revenue	-	-	-	43,130
	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,130</u>
 Total liabilities	<u>1,779</u>	<u>155</u>	<u>5,168</u>	<u>43,130</u>
 <i>Fund balances:</i>				
Reserved for:				
Debt service	-	-	-	10,830
Capital projects funds	-	-	-	-
Unreserved:				
General fund	308,305	-	-	-
Special revenue funds	-	199,992	-	-
	<u>-</u>	<u>199,992</u>	<u>-</u>	<u>-</u>
 Total fund balances	<u>308,305</u>	<u>199,992</u>	<u>-</u>	<u>10,830</u>
 Total liabilities and fund balances	<u>\$ 310,084</u>	<u>\$ 200,147</u>	<u>\$ 5,168</u>	<u>\$ 53,960</u>

The accompanying notes are an integral part of these financial statements.



---

<i>Debt Service</i>		
<i>Fund</i>		
<hr/>		
<i>Old Sand</i>		
<i>Road</i>	<i>Nonmajor</i>	<i>Total</i>
<i>Improvements</i>	<i>Governmental</i>	<i>Governmental</i>
<i>Fund</i>	<i>Funds</i>	<i>Funds</i>
<hr/>		
\$ 1,541	\$ 62,542	\$ 554,700
-	-	22,006
-	-	1,809
15,515	-	58,645
-	-	11,797
<hr/>		
<u>\$ 17,056</u>	<u>\$ 62,542</u>	<u>\$ 648,957</u>
\$ -	\$ -	\$ 1,934
-	-	5,168
15,515	-	58,645
<hr/>		
15,515	-	65,747
<hr/>		
1,541	-	12,371
-	6,144	6,144
-	-	308,305
-	56,398	256,390
<hr/>		
1,541	62,542	583,210
<hr/>		
<u>\$ 17,056</u>	<u>\$ 62,542</u>	<u>\$ 648,957</u>

# LAKE TOWNSHIP

---

## RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

March 31, 2006

**Total fund balances for governmental funds** \$ 583,210

Total net assets reported for governmental activities in the statement of  
of net assets is different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported in the governmental funds.

Governmental capital assets	22,847	
Less accumulated depreciation	<u>(10,747)</u>	12,100

Interest payable in the governmental activities are not payable from  
current resources and therefore are not reported in the governmental  
funds. (1,397)

Deferred revenues reported in the governmental funds are recognized as  
revenues for the governmental activities. 58,645

Long-term liabilities are not due and payable in the current year and  
therefore are not reported in the governmental funds:

Special assessment bond payable	(65,000)	
Loans payable	<u>(43,738)</u>	<u>(108,738)</u>

**Net assets of governmental activities** \$ 543,820

*The accompanying notes are an integral part of these financial statements.*

# LAKE TOWNSHIP

## GOVERNMENTAL FUNDS

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2006

		<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>
	<u>General Fund</u>	<u>Road Fund</u>	<u>Caseville Area Fire Protection Association Fund</u>	<u>Fosters White Sand Shores Road Improvements Fund</u>
<b>Revenues:</b>				
Property taxes	\$ 103,775	\$ 111,310	\$ 62,538	\$ -
Licenses and permits	23,509	-	-	-
State grants	74,765	2,007	-	-
Charges for services	10,622	-	-	-
Interest and rents	1,408	855	-	-
Other revenue	1,121	-	-	8,512
Total revenues	<u>215,200</u>	<u>114,172</u>	<u>62,538</u>	<u>8,512</u>
<b>Expenditures:</b>				
Current				
General government	89,654	-	-	-
Public safety	19,837	-	41,411	-
Public works	26,809	115,222	-	-
Health and welfare	3,486	-	-	-
Community and economic development	21,577	-	-	-
Recreation and culture	1,200	-	-	-
Other	2,426	-	-	-
Capital outlay	664	-	33,600	-
Debt service				
Principal	-	-	19,600	8,000
Interest and fess	-	-	1,527	2,507
Total expenditures	<u>165,653</u>	<u>115,222</u>	<u>96,138</u>	<u>10,507</u>
Excess (deficiency) of revenues over expenditures	49,547	(1,050)	(33,600)	(1,995)
<b>Other financing sources (uses):</b>				
Proceeds from loan	-	-	33,600	-
Transfers in	1,228	-	-	-
Transfers out	(2,000)	-	-	-
Total other financing sources (uses)	<u>(772)</u>	<u>-</u>	<u>33,600</u>	<u>-</u>
Net change in fund balance	48,775	(1,050)	-	(1,995)
Fund balances, beginning of year	<u>259,530</u>	<u>201,042</u>	<u>-</u>	<u>12,825</u>
Fund balances, end of year	<u>\$ 308,305</u>	<u>\$ 199,992</u>	<u>\$ -</u>	<u>\$ 10,830</u>

The accompanying notes are an integral part of these financial statements.

---

<i>Debt Service</i>		
<i>Fund</i>		
<hr/>		
<i>Old Sand Road Improvements Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Total Governmental Funds</i>
<hr/>	<hr/>	<hr/>
\$ -	\$ 5,000	\$ 282,623
-	-	23,509
-	-	76,772
-	-	10,622
16	1,047	3,326
2,376	148	12,157
<hr/>	<hr/>	<hr/>
2,392	6,195	409,009
<hr/>	<hr/>	<hr/>
-	-	89,654
-	-	61,248
-	26	142,057
-	-	3,486
-	-	21,577
-	-	1,200
-	-	2,426
-	700	34,964
2,000	-	29,600
623	-	4,657
<hr/>	<hr/>	<hr/>
2,623	726	390,869
<hr/>	<hr/>	<hr/>
(231)	5,469	18,140
-	-	33,600
-	2,000	3,228
-	(1,228)	(3,228)
<hr/>	<hr/>	<hr/>
-	772	33,600
<hr/>	<hr/>	<hr/>
(231)	6,241	51,740
1,772	56,301	531,470
<hr/>	<hr/>	<hr/>
\$ 1,541	\$ 62,542	\$ 583,210
<hr/>	<hr/>	<hr/>

# LAKE TOWNSHIP

---

## RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

March 31, 2006

**Net change in fund balances - total governmental funds** \$ 51,740

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Capital outlay	700	
Less depreciation expense	<u>(2,154)</u>	(1,454)

Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenue in the funds. (8,088)

Proceeds from bonds and loans are other financing sources in governmental funds, but the proceeds increase long-term liabilities in the statement of net assets. (33,600)

Repayments of principal on bonds and loans is an expenditure in governmental funds, but the payment reduces long-term liabilities in the statement of net assets. 29,600

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in accrued interest payable	<u>140</u>
------------------------------------	------------

**Change in net assets of governmental activities** \$ 38,338

*The accompanying notes are an integral part of these financial statements.*

# LAKE TOWNSHIP

---

*FIDUCIARY FUND*  
**STATEMENT OF NET ASSETS**  
March 31, 2006

	<i>Agency Fund</i>
<b>Assets:</b>	
Cash and cash equivalents	\$ 1,808
<b>Liabilities:</b>	
Accounts payable	1,808
<b>Net Assets:</b>	
Unrestricted	\$ -

*The accompanying notes are an integral part of these financial statements.*

## ***NOTES TO FINANCIAL STATEMENTS***

# LAKE TOWNSHIP

---

## NOTES TO FINANCIAL STATEMENTS

March 31, 2006

---

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

---

The Township, which is located in Huron County, Michigan, is governed by a five member elected Board of Trustees and has approximately 1,000 residents.

The accounting policies of Lake Township conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

#### **Reporting Entity:**

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Township and its component units. In evaluating the Township as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Township may be financially accountable and, as such, should be included within the Township's financial statements. The Township (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the Township. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. There are no component units included in the Township's reporting entity.

**Joint Venture** – In October 1999, Lake Township and Caseville Township created the Caseville Area Fire Protection Association for the purpose of the establishment, operation, and maintenance of a joint fire department and fire authority, including, but not limited to, the acquisition and operation of fire department motor vehicles, equipment, apparatus, housing and personnel. This joint venture will be funded with special tax assessments from both townships. The assessment of Lake Township for the year ended March 31, 2006 was \$62,538, of which \$5,168 is still owed to the Association.

Lake Township owns an approximate 50% interest in the equity balance of the Association. The separate audited financial statements of the Caseville Area Fire Protection Association can be obtained from the Lake Township Supervisor at P.O. Box 429, Caseville, Michigan, 48725-0429.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation:**

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

#### *Government-wide Financial Statements:*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider



## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

have been met. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government. These statements distinguish between activities that are governmental and business-type activities. There are no business-type activities.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the Township's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Township does not allocate indirect costs. In creating the government-wide financial statements the Township has eliminated interfund transactions.

The government-wide focus is on the sustainability of the Township as an entity and the change in the Township's net assets resulting from current year activities.

### *Fund Financial Statements:*

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting.

The Township reports the following major governmental funds:

The **General Fund** is the primary operating fund of the Township. It is used to account for all financial resources, except for those required to be accounted for in another fund.

The **Road Fund** is used to account for the maintenance of the Township's road system.

The **Caseville Area Fire Protection Association Fund** is used to account for the special fire tax assessment for the joint venture.

The **Fosters White Sand Shores Subdivision Road Improvements Debt Service Fund** is used to account for the debt service payments related to a special assessment bond.

The **Old Sand Road Improvements Debt Service Fund** is used to account for the debt service payments related to a special assessment bond.

Private-sector standards of accounting and financial reporting issued prior to March 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do no conflict with or contradict guidance of the Governmental Accounting Standards Board. The Township has elected not to follow subsequent private-sector guidance.

### Assets, Liabilities and Equity

**Deposits and Investments** – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments, if any, are stated at fair value.

**Interfund Receivables and Payables** – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

**Prepaid Items** – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets** – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Township defines capital assets as assets with an initial individual cost in excess of \$500. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are capitalized if acquired after April 1, 2004.

# LAKE TOWNSHIP

---

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings	50 years
Furniture and equipment	5-10 years

**Compensated Absences** – It is the Township’s policy to not permit employees to accumulate earned but unused sick and vacation days. Therefore, no liability is recorded in the government-wide financial statements.

**Long-term Obligations** – In the government-wide financial statements, long-term debt are reported as liabilities in the applicable governmental activities statement of net assets.

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### Eliminations and Reclassifications:

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

### Property Taxes:

Property taxes attach as an enforceable lien on property as of July 1 for the summer tax levy and December 1 for the winter tax levy. Taxes levied on July 1 and December 1 are due without penalty before September 14 and February 28, respectively. These tax bills include the Township’s own property taxes and taxes billed on behalf of Huron County and the school districts within the Township boundaries.

The 2005 taxable valuation of the Township’s real and personal property totaled \$78,331,556, on which ad valorem taxes levied consisted of .9691 mills for the Township’s operating purposes and 1.4740 mills for a special voted millage for roads and gypsy moth.

The 2005 taxable valuation of the Township’s real property totaled \$77,283,356, on which ad valorem taxes levied consisted of .8000 mills for a fire special assessment.

The delinquent real property taxes of the Township are purchased by Huron County. The delinquent real property taxes are received soon enough after year end to be recorded as revenue in the current year.

# LAKE TOWNSHIP

---

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

---

### NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

---

#### **Budgetary Information:**

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. A proposed operating budget by fund for each year is submitted to the Township Board. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted by adoption of the Township Board.
4. Any revision that alters the total expenditures of any fund must be approved by the Township.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as originally adopted and amended by the Township Board is included in the required supplemental information.
7. All annual appropriations lapse at fiscal year end.

#### **Excess of Expenditures over Appropriations in Budgeted Funds:**

During the year, the Township did not incur expenditures that were in excess of the amounts budgeted.

#### **State Construction Code Act:**

The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus generated since January 1, 2000 is as follows:

Cumulative surplus at April 1, 2005	\$ -
Current year building permit revenue	12,335
Related expenses:	
Direct costs	<u>19,837</u>
Cumulative surplus at March 31, 2006	<u>\$ -</u>

# LAKE TOWNSHIP

---

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

---

### NOTE 3: DEPOSITS AND INVESTMENTS

---

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the Village Council is in accordance with Public Act 196 of 1997. The Village's deposits and investments have been made in accordance with statutory authority.

The Village's deposits and investments are subject to risk, which is examined in more detail below:

#### **Custodial Credit Risk of Bank Deposits:**

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$564,903 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$184,694 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits, and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with acceptable estimated risk level are used as depositories.

The Township had no investments at March 31, 2006.

# LAKE TOWNSHIP

---

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

---

### NOTE 4: CAPITAL ASSETS

---

Governmental activities capital asset activity for the year ended March 31, 2006 was as follows:

	<u>April 1, 2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>March 31, 2006</u>
<b>Governmental activities:</b>				
Depreciable capital assets:				
Buildings	\$ 8,000	\$ -	\$ -	\$ 8,000
Furniture and equipment	<u>14,147</u>	<u>700</u>	<u>-</u>	<u>14,847</u>
Total depreciable capital assets	<u>22,147</u>	<u>700</u>	<u>-</u>	<u>22,847</u>
Accumulated depreciation	<u>(8,593)</u>	<u>(2,154)</u>	<u>-</u>	<u>(10,747)</u>
Depreciable capital assets, net	<u>13,554</u>	<u>(1,454)</u>	<u>-</u>	<u>12,100</u>
Governmental activities, capital assets, net	<u>\$ 13,554</u>	<u>\$ (1,454)</u>	<u>\$ -</u>	<u>\$ 12,100</u>

Depreciation expense was charged to functions as follows:

<b>Governmental activities:</b>	
General government	\$ 1,994
Public works	<u>160</u>
Total governmental activities	<u>\$ 2,154</u>

---

### NOTE 5: DEFERRED REVENUE

---

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Special assessments	<u>\$ 58,645</u>	<u>\$ -</u>

# LAKE TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

### NOTE 6: LONG-TERM LIABILITIES

The Township may issue bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the Township.

Long-term liabilities at March 31, 2006 consisted of the following:

<u>Types of Indebtedness</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding at Year-End</u>
<b><u>Governmental Activities</u></b>					
<b><i>General Obligation Bonds:</i></b>					
2003 Issue - Special Assessment Bonds					
Serial Current Interest Bonds	11/1/05-11/1/12	4.15%	\$5,000-10,000	\$ 80,000	\$ 65,000
<b><i>Loans:</i></b>					
1999 Issue - Fire Station	2/1/05-2/1/07	4.85%	\$19,600	\$ 196,000	\$ 10,138
2006 Issue - Fire Tanker	2/13/07-2/13/09	4.45%	\$33,600	\$ 33,600	\$ 33,600

The following is a summary of long-term liabilities transactions for the year ended March 31, 2006:

	<u>April 1, 2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>March 31, 2006</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
<b><i>General Obligation Bonds:</i></b>					
2003 Issue	\$ 75,000	\$ -	\$ (10,000)	\$ 65,000	\$ 10,000
<b><i>Loans:</i></b>					
1999 Loan - Fire Station	29,738	-	(19,600)	10,138	10,138
2006 Installment Purchase - Tanker	-	33,600	-	33,600	33,600
Total governmental activities					
- long-term liabilities	<u>\$ 104,738</u>	<u>\$ 33,600</u>	<u>\$ (29,600)</u>	<u>\$ 108,738</u>	<u>\$ 53,738</u>

# LAKE TOWNSHIP

---

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

Annual debt service requirements to maturity for the above bonds and loans are as follows:

<i>Year Ended March 31,</i>	<i>Governmental Activities</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2007	\$ 53,738	\$ 4,508	\$ 58,246
2008	10,000	2,075	12,075
2009	10,000	1,660	11,660
2010	10,000	1,245	11,245
2011	10,000	830	10,830
2012-2013	<u>15,000</u>	<u>727</u>	<u>15,727</u>
	<u>\$ 108,738</u>	<u>\$ 11,045</u>	<u>\$ 119,783</u>

---

## NOTE 7: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

---

Receivables and payables as of year end for the Township's governmental activities in the aggregate are as follows:

	<i>Governmental Activities</i>
<b>Receivables:</b>	
Property taxes	\$ 22,006
Accounts	1,809
Special assessments	58,645
Intergovernmental	<u>11,797</u>
Total receivables	<u>\$ 94,257</u>
<b>Accounts payable and accrued expenses:</b>	
Accounts	\$ 1,934
Interest	1,397
Intergovernmental	<u>5,168</u>
Total accounts payable and accrued expenses	<u>\$ 8,499</u>



# LAKE TOWNSHIP

---

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

---

### NOTE 8: INTERFUND BALANCES AND TRANSFERS

---

There were no interfund receivable and payable balances at March 31, 2006.

Interfund transfers reported in the fund statements were as follows:

<i><u>Funds Transferred From</u></i>	<i><u>Funds Transferred To</u></i>	<i><u>Amount</u></i>
General Fund	Capital Improvement Fund	\$ 2,000
Blake and Osbourn Drive Fund	General Fund	<u>1,228</u>
		<u>\$ 3,228</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

---

### NOTE 9: RISK MANAGEMENT

---

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for significant losses. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

---

### NOTE 10: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

---

#### **Defined Contribution Pension Plan:**

**Plan Description** – The Township has created a defined contribution pension plan for certain officials and employees. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participant's benefits that may be allocated to such participant's account.

# LAKE TOWNSHIP

---

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

### Eligibility Requirements and Provisions:

There are no age or service requirements.

The following employees shall be eligible to participate in the plan:

- Elected officials
- Assessor
- Building Inspector
- Zoning Administrator
- Transfer Station Supervisor
- Extra Office
- Deputy Clerk

An individual shall commence participation in the plan immediately.

### Contributions:

Employer contributions for each participant will be 7.5% of compensation. Mandatory employee contributions will be 7.5% of compensation. The mandatory contributions shall be treated as made by employees on an after-tax basis. Participants may make voluntary after-tax contributions, through payroll withholding, in amounts ranging from 1% to 10% of compensation.

### Vesting:

Benefits attributable to employer contributions shall be 100% vested upon a participant's death, disability, or normal retirement, or upon termination of the plan. On termination of a participant's service, such benefits shall vest 100% immediately.

### Insurer:

The Manufacturers Life Insurance/John Hancock Company.

### Plan Activity:

For the plan year January 1, 2005 to December 31, 2005, the salaries of covered employees were \$65,550 and the salaries of all employees were \$90,030. All required contributions to the plan were made.

Account value 12/31/04	\$ 63,014
Current year contributions	
Employer	4,916
Employee	4,916
Interest earned	2,246
Administration fees	<u>(342)</u>
Account value 12/31/05	<u>\$ 74,750</u>

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

### **Post Employment Benefits:**

The Township offers no post employment benefits to its retirees.

### **Deferred Compensation Plan:**

The Township offers no deferred compensation plan.

***REQUIRED SUPPLEMENTAL INFORMATION***

# LAKE TOWNSHIP

## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2006

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual</i>
	<i>Original</i>	<i>Final</i>		<i>Over (Under)</i> <i>Final Budget</i>
<b>Revenues:</b>				
Property taxes	\$ 99,000	\$ 99,000	\$ 103,775	\$ 4,775
Licenses and permits	20,250	20,250	23,509	3,259
State grants	70,000	70,000	74,765	4,765
Charges for services	10,100	10,100	10,622	522
Interest and rents	1,000	1,000	1,408	408
Other revenue	500	500	1,121	621
Total revenues	200,850	200,850	215,200	14,350
<b>Expenditures:</b>				
Current				
General government	105,455	106,755	89,654	(17,101)
Public safety	19,500	21,200	19,837	(1,363)
Public works	40,200	40,700	26,809	(13,891)
Health and welfare	5,500	5,500	3,486	(2,014)
Community and economic development	27,900	28,050	21,577	(6,473)
Recreation and culture	1,200	1,200	1,200	-
Other	14,000	9,840	2,426	(7,414)
Capital outlay	1,000	1,510	664	(846)
Total expenditures	214,755	214,755	165,653	(49,102)
Excess (deficiency) of revenues over expenditures	(13,905)	(13,905)	49,547	63,452
<b>Other financing sources (uses):</b>				
Transfers in	-	-	1,228	1,228
Transfers out	(2,000)	(2,000)	(2,000)	-
Total other financing sources (uses)	(2,000)	(2,000)	(772)	1,228
Net change in fund balance	(15,905)	(15,905)	48,775	64,680
Fund balance, beginning of year	259,530	259,530	259,530	-
Fund balance, end of year	\$ 243,625	\$ 243,625	\$ 308,305	\$ 64,680

# LAKE TOWNSHIP

---

## *SPECIAL REVENUE FUND – ROAD FUND*

### **BUDGETARY COMPARISON SCHEDULE**

Year Ended March 31, 2006

	<i><b>Budgeted Amounts</b></i>		<i><b>Actual</b></i>	<i><b>Actual</b></i>
	<i><b>Original</b></i>	<i><b>Final</b></i>		<i><b>Over (Under) Final Budget</b></i>
<b>Revenues:</b>				
Property taxes	\$ 105,000	\$ 105,000	\$ 111,310	\$ 6,310
State grants	1,944	1,944	2,007	63
Interest and rents	<u>350</u>	<u>350</u>	<u>855</u>	<u>505</u>
 Total revenues	<u>107,294</u>	<u>107,294</u>	<u>114,172</u>	<u>6,878</u>
 <b>Expenditures:</b>				
Current				
Public works	<u>215,000</u>	<u>215,000</u>	<u>115,222</u>	<u>(99,778)</u>
 Total expenditures	<u>215,000</u>	<u>215,000</u>	<u>115,222</u>	<u>(99,778)</u>
 Net change in fund balance	(107,706)	(107,706)	(1,050)	106,656
 Fund balance, beginning of year	<u>201,042</u>	<u>201,042</u>	<u>201,042</u>	<u>-</u>
 Fund balance, end of year	<u>\$ 93,336</u>	<u>\$ 93,336</u>	<u>\$ 199,992</u>	<u>\$ 106,656</u>

# LAKE TOWNSHIP

---

## *SPECIAL REVENUE FUND – CASEVILLE AREA FIRE PROTECTION ASSOCIATION FUND*

### **BUDGETARY COMPARISON SCHEDULE**

Year Ended March 31, 2006

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual Over (Under) Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>Revenues:</b>				
Property taxes	\$ 87,724	\$ 63,246	\$ 62,538	\$ (708)
Total revenues	<u>87,724</u>	<u>63,246</u>	<u>62,538</u>	<u>(708)</u>
<b>Expenditures:</b>				
Current				
Public safety	55,990	41,411	41,411	-
Capital outlay	-	33,600	33,600	-
Debt service				
Principal	28,390	19,600	19,600	-
Interest and fees	<u>3,344</u>	<u>2,235</u>	<u>1,527</u>	<u>(708)</u>
Total expenditures	<u>87,724</u>	<u>96,846</u>	<u>96,138</u>	<u>(708)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(33,600)</u>	<u>(33,600)</u>	<u>-</u>
<b>Other financing sources:</b>				
Proceeds from loan	<u>-</u>	<u>33,600</u>	<u>33,600</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>33,600</u>	<u>33,600</u>	<u>-</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

***OTHER SUPPLEMENTAL INFORMATION***



# LAKE TOWNSHIP

---

## GENERAL FUND

### DETAILED SCHEDULE OF REVENUES

Year Ended March 31, 2006

**Revenues:**

***Current taxes:***

Property taxes	\$ 76,424
Administration fees	26,341
Payment in lieu of taxes	<u>1,010</u>
	<u>103,775</u>

***Licenses and permits:***

Business licenses and permits	230
Nonbusiness licenses and permits	16,870
CATV franchise fees	<u>6,409</u>
	<u>23,509</u>

***State grants:***

Summer tax reimbursement	4,890
State revenue sharing - sales tax	68,077
DEQ project	<u>1,798</u>
	<u>74,765</u>

***Charges for services:***

Refuse collection fees	8,442
Zoning/Planning/Land division fees	<u>2,180</u>
	<u>10,622</u>

***Interest and rents:***

Interest	<u>1,408</u>
	<u>1,408</u>

***Other revenue:***

Other	<u>1,121</u>
	<u>1,121</u>

Total revenues	<u><u>215,200</u></u>
----------------	-----------------------

**Other Financing Sources:**

Transfers from other funds	<u>1,228</u>
	<u>1,228</u>

Total revenues and other financing sources	<u><u>\$ 216,428</u></u>
--	--------------------------

# LAKE TOWNSHIP

---

## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES

Year Ended March 31, 2006

**Expenditures:**

***General Government:***

*Board:*

Personnel	\$ 2,400
Mileage	335
	<u>2,735</u>

*Supervisor:*

Personnel	8,000
Supplies	55
Mileage	463
Education	95
	<u>8,613</u>

*Clerk:*

Personnel	12,418
Supplies	22
Mileage	350
Education	315
	<u>13,105</u>

*Audit:*

Contracted services	<u>3,500</u>
	<u>3,500</u>

*Board of Review:*

Personnel	1,920
Mileage	41
Printing and publications	36
	<u>1,997</u>

*Treasurer:*

Personnel	12,080
Supplies	1,650
Contracted services	5,444
Mileage	1,011
	<u>20,185</u>

*Assessor:*

Personnel	14,000
Supplies	135
Mileage	1,113
Education	430
	<u>15,678</u>

# LAKE TOWNSHIP

---

## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended March 31, 2006

**Expenditures, continued:**

**General Government, continued:**

*Elections:*

Supplies	\$ 35
	<u>35</u>

*Buildings, Grounds and Administration:*

Supplies	2,198
Contracted services	1,608
Telephone	2,094
Dues and memberships	1,276
Printing and publications	1,478
Insurance	4,859
Utilities	4,040
Repairs and maintenance	1,583
	<u>19,136</u>

*Attorney:*

Contracted services	4,670
	<u>4,670</u>

Total general government	<u>89,654</u>
--------------------------	---------------

**Public Safety:**

*Building Inspection Department:*

Personnel	19,028
Supplies	450
Mileage	134
Education	225
	<u>19,837</u>

Total public safety	<u>19,837</u>
---------------------	---------------

**Public Works:**

*Drains - Public Benefit:*

Contracted services	2,729
	<u>2,729</u>

*Street Lighting:*

Utilities	331
	<u>331</u>

# LAKE TOWNSHIP

---

## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended March 31, 2006

**Expenditures, continued:**

***Public Works, continued:***

*Refuse:*

Personnel	\$ 5,468
Contracted services	17,737
Repairs and maintenance	544
	<u>23,749</u>
Total public works	<u>26,809</u>

***Health and Welfare:***

*Ambulance:*

Contracted services	<u>3,486</u>
	<u>3,486</u>
Total health and welfare	<u>3,486</u>

***Community and Economic Development:***

*Planning:*

Personnel	4,820
Supplies	2,697
Contracted services	1,020
Mileage	279
Education	1,110
Printing and publications	148
	<u>10,074</u>

*Zoning:*

Personnel	9,705
Supplies	116
Mileage	981
Education	530
Printing and publications	171
	<u>11,503</u>

Total community and economic development	<u>21,577</u>
--	---------------

***Recreation and Culture:***

*Library:*

Contracted services	<u>1,200</u>
	<u>1,200</u>
Total recreation and culture	<u>1,200</u>

# LAKE TOWNSHIP

---

## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended March 31, 2006

**Expenditures, continued:**

***Other:***

Payroll taxes and other	\$ 2,426
	<u>2,426</u>

Total other	<u>2,426</u>
-------------	--------------

***Capital Outlay:***

General government	664
	<u>664</u>

Total capital outlay	<u>664</u>
----------------------	------------

Total expenditures	<u>165,653</u>
--------------------	----------------

**Other Financing Uses:**

Transfers to other funds	<u>2,000</u>
	<u>2,000</u>

Total expenditures and other financing uses	<u>\$ 167,653</u>
---	-------------------

# LAKE TOWNSHIP

---

## NONMAJOR GOVERNMENTAL FUNDS

### COMBINING BALANCE SHEET

March 31, 2006

	<u>Special Revenue Funds</u>		<u>Capital Projects Fund</u>
	<u>Gypsy Moth Fund</u>	<u>Capital Improvement Fund</u>	<u>Fosters White Sand Shores Road Improvements Fund</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 50,944	\$ 5,454	\$ 4,259
 Total assets	<u>\$ 50,944</u>	<u>\$ 5,454</u>	<u>\$ 4,259</u>
 <b>Fund Balances:</b>			
<b>Fund balances:</b>			
Reserved for:			
Capital projects funds	-	-	4,259
Unreserved:			
Special revenue funds	<u>50,944</u>	<u>5,454</u>	<u>-</u>
 Total fund balances	<u>\$ 50,944</u>	<u>\$ 5,454</u>	<u>\$ 4,259</u>

---

*Capital  
Projects Fund*

<i>Old Sand Road Improvements Fund</i>	<i>Total Nonmajor Governmental Funds</i>
<u>\$ 1,885</u>	<u>\$ 62,542</u>
<u><u>\$ 1,885</u></u>	<u><u>\$ 62,542</u></u>
1,885	6,144
<u>-</u>	<u>56,398</u>
<u><u>\$ 1,885</u></u>	<u><u>\$ 62,542</u></u>

# LAKE TOWNSHIP

## NONMAJOR GOVERNMENTAL FUNDS

### COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2006

	<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
	<u>Gypsy Moth Fund</u>	<u>Capital Improvement Fund</u>	<u>Blake and Osborn Drive Fund</u>	<u>Fosters White Sand Shores Road Improvements Fund</u>
<b>Revenues:</b>				
Property taxes	\$ 5,000	\$ -	\$ -	\$ -
Interest and rents	1,017	30	-	-
Other revenue	-	-	148	-
Total revenues	<u>6,017</u>	<u>30</u>	<u>148</u>	<u>-</u>
<b>Expenditures:</b>				
Current				
Public works	26	-	-	-
Capital outlay	-	700	-	-
Total expenditures	<u>26</u>	<u>700</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	5,991	(670)	148	-
<b>Other financing sources (uses):</b>				
Transfers in	-	2,000	-	-
Transfers out	-	-	(1,228)	-
Total other financing sources (uses)	<u>-</u>	<u>2,000</u>	<u>(1,228)</u>	<u>-</u>
Net change in fund balance	5,991	1,330	(1,080)	-
Fund balance, beginning of year	<u>44,953</u>	<u>4,124</u>	<u>1,080</u>	<u>4,259</u>
Fund balance, end of year	<u>\$ 50,944</u>	<u>\$ 5,454</u>	<u>\$ -</u>	<u>\$ 4,259</u>



---

*Capital  
Projects Fund*

<i>Old Sand Road Improvements Fund</i>	<i>Total Nonmajor Governmental Funds</i>
\$ -	\$ 5,000
-	1,047
-	148
-	6,195
-	26
-	700
-	726
-	5,469
-	2,000
-	(1,228)
-	772
-	6,241
1,885	56,301
<u>\$ 1,885</u>	<u>\$ 62,542</u>

# LAKE TOWNSHIP

---

## *FIDUCIARY FUND – AGENCY FUND*

### **COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**

March 31, 2006

#### **Property Tax Collection Fund**

	<i><u>April 1, 2005</u></i>	<i><u>Additions</u></i>	<i><u>Deductions</u></i>	<i><u>March 31, 2006</u></i>
<b>Assets:</b>				
Cash and cash equivalents	<u>\$ 1,700</u>	<u>\$ 2,510,292</u>	<u>\$ 2,510,184</u>	<u>\$ 1,808</u>
<b>Liabilities:</b>				
<i>Current:</i>				
Accounts payable	\$ 1,700	\$ 294,654	\$ 294,546	\$ 1,808
Due to other governmental units	<u>-</u>	<u>2,215,638</u>	<u>2,215,638</u>	<u>-</u>
Total liabilities	<u>\$ 1,700</u>	<u>\$ 2,510,292</u>	<u>\$ 2,510,184</u>	<u>\$ 1,808</u>

# LAKE TOWNSHIP

---

## GOVERNMENTAL ACTIVITIES SCHEDULE OF INDEBTEDNESS

March 31, 2006

### 2003 Special Assessment Bonds - Fosters White Sand Shores Subdivision and Old Sand Road Improvements

Issue Dated December 1, 2003 in the amount of	\$	80,000
Less:		
Principal paid in prior years		(5,000)
Principal paid in current year		<u>(10,000)</u>
Balance payable at March 31, 2006	\$	<u>65,000</u>

Balance payable as follows:

<i><u>Fiscal</u></i> <i><u>Year Ended</u></i>	<i><u>Rate</u></i>	<i><u>Interest due</u></i> <i><u>May 1</u></i>	<i><u>Interest due</u></i> <i><u>November 1</u></i>	<i><u>Principal due</u></i> <i><u>November 1</u></i>	<i><u>Total</u></i>
2007	4.15%	\$ 1,349	\$ 1,141	\$ 10,000	\$ 12,490
2008	4.15%	1,141	934	10,000	12,075
2009	4.15%	934	726	10,000	11,660
2010	4.15%	726	519	10,000	11,245
2011	4.15%	519	311	10,000	10,830
2012	4.15%	311	208	5,000	5,519
2013	4.15%	<u>208</u>	<u>-</u>	<u>10,000</u>	<u>10,208</u>
		<u>\$ 5,188</u>	<u>\$ 3,839</u>	<u>\$ 65,000</u>	<u>\$ 74,027</u>

### 1999 Fire Station Loan

Issue dated November 24, 1999 in the amount of	\$	196,000
Less:		
Principal paid in prior years		(166,262)
Principal paid in current year		<u>(19,600)</u>
Balance payable at March 31, 2006	\$	<u>10,138</u>

Balance payable as follows:

<i><u>Fiscal</u></i> <i><u>Year Ended</u></i>	<i><u>Rate</u></i>	<i><u>Principal due</u></i> <i><u>February 1</u></i>	<i><u>Interest due</u></i> <i><u>February 1</u></i>	<i><u>Total</u></i> <i><u>Annual</u></i> <i><u>Requirement</u></i>
2007	4.85%	<u>\$ 10,138</u>	<u>\$ 492</u>	<u>\$ 10,630</u>

# LAKE TOWNSHIP

---

*GOVERNMENTAL ACTIVITIES*  
**SCHEDULE OF INDEBTEDNESS**  
March 31, 2006

**2006 Installment Purchase Agreement - Fire Tanker**

Issue dated February 13, 2006 in the amount of       \$       33,600

Less:	Principal paid in prior years	-
	Principal paid in current year	<u>-</u>

Balance payable at March 31, 2006                       \$       33,600

Balance payable as follows:

<i><u>Fiscal</u></i> <i><u>Year Ended</u></i>	<i><u>Rate</u></i>	<i><u>Principal due</u></i> <i><u>February 13</u></i>	<i><u>Interest due</u></i> <i><u>February 13</u></i>	<i><u>Total</u></i> <i><u>Annual</u></i> <i><u>Requirement</u></i>
2007	4.45%	<u>\$       33,600</u>	<u>\$       1,526</u>	<u>\$       35,126</u>



June 14, 2006

To The Township Board  
Lake Township

We have audited the financial statements of Lake Township for the year ended March 31, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

#### Our Responsibility Under U.S. Generally Accepted Auditing Standards

We conducted our audit of the financial statements of Lake Township in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as “the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.”

An independent auditor’s objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor’s work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, “in our opinion.”

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

#### Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Lake Township are described in Note 1 to the financial statements. We noted no transactions entered into by Lake Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

#### Other Communications

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management’s current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the organization's financial statements, dated June 14, 2006.

Summary

We welcome any questions you may have regarding the foregoing.

Sincerely,

*Berthiaume & Co.*

Berthiaume & Company  
Certified Public Accountants